Trade, Commerce, and Commercial Crises

NEW BOOKS

Day, C. *A history of commerce.* Revised and enlarged. (New York: Longmans, Green. 1922. Pp. x, 676. $2.50.)

The latter part of the edition published in 1914 is revised and some 70 pages added to cover the period 1914-1922.

Holt, W. S. *The Federal Trade Commission.* Institute for Government Research, monograph no. 7. (New York: Appleton. 1922. Pp. 80.)

Chapters on the history, activities and organization of the Commission. In the appendix is a list of the reports of economic investigation printed up to April, 1921. Appendix 6 is a bibliography of nine pages.

Lavington, F. *The trade cycle. An account of the causes producing rhythmical changes in the activity of business.* (London: P. S. King & Son. 1922. Pp. 113. 3s. 6d.)

This book is "not the result of original research." Mr. Lavington has drawn chiefly from Pigou's *Economics of Welfare,* part VI; to a lesser extent from Alfred Marshall and Wesley Mitchell; and to a slight extent from Robertson and Aftalion. One chapter is devoted to conditions favorable to the growth of trade fluctuations: (1) entrepreneurial control of production, (2) interdependence among producers, (3) production in anticipation of demand, (4) production guided by price. Two chapters are devoted to a discussion of "business confidence," and three to the "course of the trade cycle." A final chapter is concerned with "social aspects" and methods of minimizing the cycle.

"The active principle animating business cycles is to be found in changes in the general level of business confidence" (p. 61). The "cumulative growth of an error of optimism or pessimism in business judgments" has two effects: it acts directly on the estimates made by business men of the "future condition of markets," and "it acts indirectly on those estimates by its influence on the supply of money and therefore on the movement of prices" (p. 90).

The major forces which check the "confidence in which the whole upward movement is based" are: (1) inadequate supply of new savings (p. 69), (2) inability of new capital to find a market except by pressing into uses where the yield is lower (70-74), (3) drain on bank reserves (67-68). The first two of these alleged causes seem to be contradictory for one implies a scarcity of capital while the other implies a superabundance of capital.

Mr. Lavington holds that there would be no business cycle if "business judgments were always rationally determined" (p. 58). In his opinion "errors of optimism and pessimism" are at the bottom of the business cycle (58-60). To the present reviewer it would seem that these errors of optimism and pessimism are results, in the first instance, rather than causes of the price cycles which give rise to profit cycles, though no doubt once the movement has started they reinforce and intensify the price fluctuations.

Alvin H. Hansen.

Lionberger, I. H. *The economic crisis and foreign trade.* (St. Louis: American Credit-Indemnity Co. 1921. Pp. 53. 30c.)

Handbook of commercial treaties. Issued by the United States Tariff Commission. (Washington: Supt. Docs. 1922. 75c.)

Volume of United States trade, 1921, by ports of origin and destination. Bureau of Foreign and Domestic Commerce, miscellaneous series 112. (Washington: Supt. Docs. 1922. 10c.)

Accounting, Business Methods, Investments and the Exchanges

Cost Control and Accounting for Textile Mills. By EUGENE SZEPESI. (New York: Bragdon, Lord & Nagle Company. 1922. Pp. xxiv, 441. $10.00.)

Cost Control for Textile Mills is a discussion of the general principles and practices of cost accounting, applied to the needs and problems of textile mills. The aim is "to present sufficient illustrations and material for the development of a control suitable to meet individual requirements."

In the opening chapter the author launches into an interesting discussion of the economic factors that control the cost of an article and an analysis of these factors for several typical grades of products. It is particularly pleasing, after all that has been written concerning the necessity for an exact distribution of each cost element into its component parts and for the most minute allocation of each of those parts to the product or operation it affects, to read in Mr. Szepesi's book that the exactness of all this measuring should "be in proportion to the value." If raw materials represent the predominant element of cost, as in the case of cotton yarn, then that control is important which relates to the "use, flow and care of raw materials," with special attention given to the control of waste. Labor, burden, and selling expense, in such case, are comparatively unimportant and the simplest means possible should be adopted in allocating these items to cost. Some may maintain that this is not theoretically sound but it represents to the business man practical efficiency and an elimination of red tape, which, says the author, "is nothing less than measuring coal on a chemical scale."

The chapters which follow contain discussions of the cost elements, with particular emphasis upon burden, its factors and its proper application. The reader may feel that Mr. Szepesi is somewhat positive regarding the methods of burden distribution, though from the standpoint of practical mill operation the plans he proposes are quite probably the best. It is interesting to observe that along with his argument for including interest on capital investment as a part of cost the author proposes a definite rate to be used. He suggests that a rate of four per cent, lying between federal, state, and municipal bonds and mortgages on real estate with proven title, should